Why OIG Did This Audit
Medicare contractors are required to separately account for the Medicare segment pension plan assets based on the requirements of their Medicare contracts and Cost Accounting Standards 412 and 413.

Our objectives were to determine whether Group Health Incorporated (GHI) complied with Federal requirements and its established cost accounting practice when (1) implementing the prior audit recommendation to decrease the Local 153 Plan Medicare segment pension assets as of January 1, 2015, (2) updating the Local 153 Plan Medicare segment pension assets from January 1, 2015, to August 31, 2016, and (3) determining Medicare’s share of the Medicare segment excess pension assets or liabilities as a result of its benefit curtailment.

How OIG Did This Audit
We reviewed GHI’s implementation of the prior audit recommendation, its identification of its Local 153 Plan Medicare segment, its update of the Local 153 Plan Medicare segment pension assets from January 1, 2015, to August 31, 2016, and its calculation of Medicare’s share of its Medicare segment’s excess pension liabilities as of August 31, 2015, as a result of its benefit curtailment.

Group Health Incorporated Overstated Its Local 153 Pension Plan Medicare Segment Assets and Understated Medicare’s Share of the Medicare Segment Pension Assets as of August 31, 2016

What OIG Found
GHI did not concur with or implement our prior audit recommendation to decrease the Local 153 Medicare segment pension assets by $2.4 million and recognize $31.8 million as the Local 153 Medicare pension asset values as of January 1, 2015.

GHI did not correctly update the Local 153 Plan Medicare segment pension assets from January 1, 2015, to August 31, 2016, in accordance with Federal requirements. GHI identified $41.8 million as the Local 153 Plan Medicare segment pension assets as of August 31, 2016; however, we determined that those assets were $36.9 million as of that date. Therefore, GHI overstated the Local 153 Plan Medicare segment pension assets as of August 31, 2016, by $4.9 million.

GHI calculated $6.1 million as Medicare’s share of the Local 153 Plan Medicare segment excess pension liabilities as of August 31, 2016; however, we calculated that Medicare’s share of the surplus of the Local 153 Plan Medicare segment pension assets was $855,827 as of that date. The difference, $7 million, constituted allowable Local 153 Plan Medicare segment pension assets that GHI did not include in its curtailment adjustment.

What OIG Recommends and Auditee Comments
We recommend that GHI decrease the Local 153 Plan Medicare segment pension assets by $4.9 million and recognize $36.9 million as the Local 153 Plan Medicare segment pension assets as of August 31, 2016; and increase Medicare’s share of the Local 153 Plan Medicare segment excess pension assets as of August 31, 2016, by $7 million and recognize $855,827 as Medicare’s share of the pension assets as a result of the benefit curtailment.

GHI did not directly address our recommendations. However, GHI’s comments disagreeing with our findings suggested that it disagreed with both of our recommendations. We maintain that all of our calculations remain valid and that all of our findings and recommendations remain valid as well.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/71900580.asp.